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C E N T R A L I N T E L L I G E N C E A G E N C Y
O F F I C E O F N A T I O N A L E S T I M A T E S

25 October 1957

STAFF MEMORANDUM NO. 48-57

S U B J E C T : O / N E Consultants' Conference,
9-10 October 1957

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1. Participants:

Consultants

25X1A5a1

CIA Representatives

25X1A9a

Sherman Kent

25X1A9a

2. Agenda:

Morning Session, 9 October

NIE 11-4-57; SOVIET CAPABILITIES AND PROBABLE COURSES
OF ACTION THROUGH 1962 (Part I - Internal Political
Developments), 3 October 1957, (coordinated draft)

Afternoon Session, 9 October

- A. NIE 11-4-57 (Part VI - Trends in Soviet Foreign Policy),
26 September 1957, (Board Draft)
- B. NIE 11-4-57 (Part II - Trends in the Soviet Economy),
30 September 1957, (Board Draft)

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Morning Session, 10 October

- A. NIE 30-2-57: NEAR EAST DEVELOPMENTS AFFECTING US INTERESTS, 8 October 1957
- B. NIE 13-2-57: COMMUNIST CHINA'S ROLE IN ASIA AND AFRICA, 30 October 1957, (Staff Draft)

Afternoon Session, 10 October

- A. MEMORANDUM FOR THE CONSULTANTS: ESTIMATIVE QUESTIONS ON THE OUTLOOK FOR GERMANY, 2 October 1957
- B. NIE 11-4-57 (Part II - Trends in the Soviet Economy)

Morning Session, 9 October

Subject: NIE 11-4-57: SOVIET CAPABILITIES AND PROBABLE COURSES OF ACTION THROUGH 1962 (Part I - Internal Political Developments), 3 October 1957, (Draft Coordinated with Representatives)

Summary:

The morning session was devoted almost entirely to internal political developments in the Soviet Union. The question of whether the Soviet system will evolve in the direction of greater or less controls dominated the discussion. This led to consideration of Khrushchev's present degree of control and the manner in which his present position had been achieved. While the restraining influence of the military on the secret police and the party was stressed by several Consultants, the possibilities of a renewal of a reign of terror and the emergence of a Stalin-type regime were pointed up by

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the majority. It was also agreed that evolution in Soviet political and social institutions will not necessarily be in the direction of those of the West. Instability was believed to exist at the top of the structure, and a tendency to conflicting loyalties among important interest groups. For the time being, however, Khrushchev was regarded as firmly in the saddle. He had probably had the actual power for some time before the showdown in the Presidium and Central Committee last June. Although pressures on the regime will probably increase, a tightening rather than any further loosening of controls was generally expected. On the other hand, the consensus was that the situation could change drastically following Khrushchev's death. At present, however, the Communist Party appeared able to retain control for the foreseeable future. It was further postulated that quite radical changes could occur internally without marked effect on Soviet foreign policy.

Highlights of Discussion:

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A. [REDACTED] briefed [REDACTED] consultants on the Soviet space satellite and ICBM developments. [REDACTED] then explained the change in the scheduling of NIE 11-4 from May to November.

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[redacted] opened the substantive discussion by remarking that the importance of the Soviet military was well put in the paper, although he would have placed a little more stress on the restraining influence of the military on the policy makers, and on police-military rivalry. The military probably enjoy the improved living conditions in the USSR and would like to see an orderly use of the police power.

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Although we cannot be certain, [redacted] believed the secret police are now under Khrushchev's control. If a reign of terror were revived, it would be general in nature and not directed solely against the army, as the NIE draft might seem to imply.

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[redacted] posed the broad alternatives of a loosening of controls, which might even ultimately be abandoned, and a return to Stalinism.

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[redacted] believed it more likely the Soviets will liberalize somewhat, but in a different way from Western societies.

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[redacted] thought it would be a mistake to believe there will not be a new terror. Some years may have to pass before Khrushchev can use the terror in an absolute sense. Khrushchev's age is against him in building up Stalin's type of terror apparatus, which took the late 25X1A5a1 dictator some years to achieve. [redacted] did not believe there was real stability at the top of the Soviet structure, but rather only a form of stability resulting from terror.

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25X1A5a1

[redacted] asked whether we had any information to the effect that an elite growing in numbers plays an increasing part in the decision-making process. [redacted] and [redacted] said there was some evidence indicating that economic managers and bureaucrats were showing more resistance to pressures from above. More people now have more money and economic security in the USSR and we infer from this that they thereby become interest groups. [redacted] agreed that there was evidence of an increase in the number of people in a kind of middle class, though the evidence is pretty unsubstantial, and cannot be pushed too far. He noted his own observations that top officials lord it over others much less since Stalin died. We do not know whether the economic specialists and bureaucrats or the leadership represented by Khrushchev will win out in the current struggle over increased food production.

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[redacted] asked if this justified a conclusion that one cannot consider the upper ranks of Soviet society as stable. [redacted] thought one could stress the elements of internal change and still make the point that it does not make much difference to the USSR's attitude toward the outside world. [redacted] agreed that the evolution was mainly internal and would reach the foreign policy field, where Soviet aims remain the same, last if at all.

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Speaking of Khrushchev's character, [REDACTED] was not sure all the sources for judging him had been employed. In this regard, Tito and Mao's attitude toward Khrushchev were important factors, Vilfan of Yugoslavia had talked of Khrushchev's unintellectuality, and
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[REDACTED] wondered if this factor could not be played upon. In other words, Khrushchev's tendency to action rather than to thought might become a factor in negotiations with the West, as contrasted with
25X1A5a1 Molotov's rigid tactics. [REDACTED] pointed out that Khrushchev was an outgoing person, while Stalin was sinister, reserved. Khrushchev is tough, but at the sametime something of a clown. He is a more
25X1A9a unpredictable figure, more willing to take a chance. [REDACTED] noted

the view that Khrushchev is basically an extremely shrewd man, though having little knowledge of the outside world, which he interprets in terms of Marist-Leninism. We think some of his apparent impetuosity is put on and that he is subject to more restraints than was Stalin. BUNDY pointed out that Khrushchev's impetuosity is topical and is understandable in such matters as agriculture and Yugoslavia. On the other hand, his policy toward the Middle East appears shrewd, reserved and professionally directed. He thought that Khrushchev could weather an economic crisis at home by drawing on the people's pride in the regime's performance on such things as the satellite.

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[redacted] though an analysis of the events in June 1957 should permeate the whole paper. A key point was whether Khrushchev got his powers from the Central Committee or whether it was merely a constitutional facade. [redacted] and [redacted] said the evidence is contradictory. The assumption is that the police played no part. Khrushchev was apparently weakest in the Presidium but had built strong positions in the Central Committee and Secretariat.

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[redacted] believed he had in fact won because he had packed the Central Committee before appealing to it from the Presidium. Khrushchev had Serov, the secret police and the army on his side, but the Presidium was not convinced that he could control the police and the army. When it became clear he had these controls, the situation developed as it did. However, if Khrushchev died, the Central Committee might take over.

25X1A5a1 [redacted] pointed out that only when the Presidium is split is the Central Committee likely to become of key importance.

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[redacted] remarked Khrushchev may have pushed for a showdown that others did not seek and may already have had a dominant position. (On several other occasions he indicated some belief in the interpretation 25X1A5a1 of the June events as a coup deliberately staged by Khrushchev.) [redacted] agreed that Khrushchev, who may have controlled the police for several

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years, surrounded his enemies and cut them off. [REDACTED] was not sure Khrushchev had the power to stage the June events as a fake. Probably the incongruous elements who combined against him thought it was now or never. They tried to use the Presidium as a forum and it is likely that the reports of a momentary majority against him were correct, 25X1A5a1 although Khrushchev already had achieved real power. [REDACTED] felt it probable that the Central Committee members knew it was already packed.

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[REDACTED] observed that the question is what factors place limits on Khrushchev's power. He asked whether, in recognizing instability and change, the paper appeared to paint a picture of difficulty and weakness, and whether we had played down Khrushchev's power too much? 25X1A5a1

[REDACTED] thought this was the case. A new stability had been forming around Khrushchev and the party for two years and his control of the party had been consolidated over the period since 1953. In a later session, [REDACTED] added some general impressions of the political section: It implied that things have changed somewhat, but the paper should consider more closely what the regime can do to make the system work better and yet retain a single, powerful leadership. The general tone or flavor of the paper should be considered. For example, the Soviet peoples apparently feel better and more secure about the system of justice than formerly, a fact which adds stability to the regime.

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[redacted] noted the absence of any discussion of who controls the
25X1A5a1 police. In reply to [redacted] point that the police-army relationship
should be treated as vital, [redacted] outlined the view that the army is
not a separate nucleus of power opposed to the party. The army is
Communist, an arm of the party, and even if Zhokov took charge the
country would still be run by the party. It seemed highly unlikely
that the army would take over completely displacing the party.
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[redacted] believed that if Khrushchev died, a period of instability would
probably follow in which one could not predict what would happen.

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[redacted] thought the question of various sub-centers of loyalty
in the USSR should be stated more clearly. He had in mind the role
of plant managers and the army. While the party may adjust differences
between such groups, he wondered whether there was a point at which
[redacted] works harder for his group than for the party's interest.
25X1A5a1

[redacted] wondered whether, as in Yugoslavia, a desire to enjoy
tranquility and well being may edge up into the upper and second rank
of the hierarchy and affect their attitudes.

Illustrating the problem of stating various alternative possibilities
25X1A9a in estimates, [redacted] pointed out that on the one hand support for the
regime on economic grounds will probably increase, while on the other,

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Khrushchev's promises may raise public expectations and cause grumbling when they are not fulfilled. The view held by the State Department was that the Russians did not believe promises and paid no attention to them and hence the latter was no true alternative possibility. [REDACTED] felt it was a matter of impact, and [REDACTED] 25X1A5a1 that such promises had a differing impact on various groups. [REDACTED] added that this problem pointed up the fact that the estimates often were too carefully balanced and too qualified. He believed they should come out more flat-footedly on crucial points. [REDACTED] interpolated a remark on the satellite chapter that economic grievances should be given greater weight in the discussion of popular discontent. He cited the UN report on Hungary as support for this view. [REDACTED] 25X1A5a1 agreed.

Afternoon session, 9 October

- Subject: A. NIE 11-4-57: SOVIET CAPABILITIES AND PROBLEMS COURSES OF ACTION THROUGH 1962 (Part VI - Trends in Soviet Foreign Policy), 26 September 1957, (Board Draft)
B. NIE 11-4-57: (Part II - Trends in the Soviet Economy, 30 September 1957, includes pertinent notes on Afternoon discussion, 10 October)

Summary:

The discussion on foreign policy stressed the viewpoint that the USSR may adopt a more forward policy in several areas, particularly

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the Middle East, now that it feels it has reduced the gap between itself and the US in the field of deterrent weapons. There was a feeling that the Soviets believe the US is increasingly reluctant to engage in a general war because of the USSR's growing nuclear capabilities. At the same time, the Consultants generally agreed the Soviets were using more subtle tactics than in the past. These tactics may differ in various countries or situations. In the Middle East, which appears to be the next target for major Soviet moves, the possibility of an Arab-Israeli war may not be displeasing to the Kremlin leaders. In various other areas from Berlin to Burma the Sino-Soviet Bloc was regarded as prepared to take greater risks than in the past. A certain "division of labor" is probable, with the Chinese Communists concentrating on Asian targets and the USSR on the Middle East and Africa. During the next few years, however, the Consultants believed the Soviets would content themselves with stirring up troubles rather than attempting to install pro-Soviet regimes in areas physically remote from the USSR.

It was generally agreed that the Soviet economy is making marked progress, including increased agricultural production through the "new lands" program. At the same time, the results of Khrushchev's plan to decentralize control over industry present problems in the

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degree of central control, and in priorities, which remain to be worked out.

Highlights of discussion:

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A. [REDACTED] opened the discussion by remarking that perhaps the paragraphs on Soviet policy toward the Middle East were too complacent. There was a chance for fighting to break out in the area and he wondered whether the Soviets might not now go further in the area than the 25X1A5a1 present text implied. [REDACTED] wondered if the deterrents of last year would be as effective if a situation resembling that of late 1956 should recur in the Middle East.

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[REDACTED] thought the paragraphs on Soviet objectives left out the Marxist view of creating conditions for Communist takeover; e.g., strengthening Nasser as a means of creating conditions for bringing him down and seeing him succeeded by a regime more favorable to them. He thought it would be easier to accomplish such an objective in the Middle East than in some other areas.

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[REDACTED] noted that we often assume nationalism is on our side and opposed to Communism. This is not necessarily true, since the Soviets 25X1A5a1 seem to be nursing national movements along in certain areas. [REDACTED]

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thought the Soviets did not want chaos for its own sake. They try to pick winners, there is a factor of selectivity present in their policy. [REDACTED] pointed out that Soviet tactics may differ, as in the cases of Saudi Arabia and Syria. In the case of Indonesia, they are not stirring up trouble, but are rather using economic aid as a lever. [REDACTED] stressed that there were not many pro-Communists in the Middle East. Rather the people are nationalist and anti-Western, but we may have failed to recognize the difference.

[REDACTED] believed the Soviet objective over the next five years was for nationalist regimes dependent on them for support in such states as Iraq, Jordan, and Lebanon.

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[REDACTED] thought the Soviets were using new tactics which do not alarm the world as much as the invasion of Korea. The discussion indicated that we may in the draft NIE have underplayed the risks they are willing to take. On the other hand, was it not true that in areas such as Africa, which are far from the centers of Soviet power, they will go slow as in involving themselves in commitments?

[REDACTED] noted various kinds of intervention. In Africa the Soviets were unlikely to overthrow existing regimes, but would show interest in such things as the racial issue. [REDACTED] agreed they had much to gain, as in South Africa and Ghana, by exploiting and stirring up the situation.

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[redacted] asked whether--granted their ultimate objectives--we can pick (1) areas of probable Soviet concentration and (2) identify probable methods. Noting our past mistakes in these respects, he wondered if we may have overplayed the peace and respectability theme. With regard to the risk of general conflict, the Soviets must feel the US is increasingly reluctant to engage in general war because of their growing nuclear capability. Might they, for example, stimulate an Arab-Israeli war? [redacted] thought they preferred to back nationalist regimes and obtain support in the UN for Soviet objectives. The group generally agreed that any Arab-Israeli conflict would indeed place great strains on the West. [redacted] believed that the Soviets were not unwilling for Arab-Israeli conflict to break out. By giving the Arabs arms they are building up the chances of an outbreak. He expects a tougher Soviet line the next time this occurs and was not so sure we would stop them.

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[redacted] thought the Soviets seem to have awakened to the idea of a nuclear stalemate as being to their advantage. Although still weaker than the US, their present capability is an asset. They may feel that having achieved this minimum, we will be deterred and that they can, therefore, take more risks. [redacted] thought they might be telling us to be more careful as the gap closes and that the Soviets may have a better appreciation of the changes in warfare.

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[redacted] raised the general conclusion of the NIE that "insofar as Soviet courses of action are restrained by fear of the US resorting to general war, these restraints will tend to diminish during the course of this estimate". The Consultants generally agreed that as a result of mutual deterrents to general war there was now a prospect that each side can go further without risking general war. In such cases as Syria, Berlin, Burma it was felt the Soviets might now take greater risks than formerly. While [redacted] felt there were now less military deterrents to a forward policy than before, there are nevertheless political deterrents. [redacted] felt, however, that the military and political deterrents do not offset each other and that the estimate should look for surprise Soviet moves.

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[redacted] noted that the Soviets were being quite successful with their "peaceful" approach and that, if they pushed the situation over the brink in one part of the world, they might thereby do it in a number of others. [redacted] believed that over the next five years the Soviets may give up working one area at a time, let the Chinese Communists make trouble in South East Asia while they themselves direct more efforts toward the Middle East. [redacted] concluded the remarks on Soviet foreign policy by noting that if we cannot retaliate massively and are unable to meet three or four local military situations

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where the Sino-Soviet Bloc is pursuing a forward policy at once, we face a real dilemma.

B. Portions of the Wednesday and Thursday afternoon sessions were devoted to Section II - Trends in the Soviet Economy - of NIE 11-4-57:

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[REDACTED] thought the political and economic consequences of decentralization of authority over the economy should be carefully studied. [REDACTED] stated the Soviet press contained a good deal of useful material on this subject. [REDACTED] also felt the paper needed clear time charts on the agricultural sector's progress and on rates of change in output.

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[REDACTED] noted there had been an upturn in agricultural production, even though the Soviets had set higher goals than they can meet.

[REDACTED] agreed the goals were too high, but pointed out that even if they only met them partially, say 50 percent, the net increase in production will be significant. [REDACTED] added that the general consensus was that the crop yield on the "new lands" had been good this year.

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On the subject of labor productivity, [REDACTED] noted it was still unbelievably low in the older parts of the country, although great

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efforts are being made to overcome it. He noted, in response to
25X1A5a1 [redacted] question, that the causes of low productivity lay both
25X1A5a1 in technology and in incentives. [redacted] pointed out there was a strong feature of ideology in the employment of agricultural machines. That is, larger machines with larger crews than necessary were often employed as a matter of pride. There was agreement that in general the Soviets used more labor than the West, even though the cost of labor has risen.

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[redacted] remarked that whatever the Soviet economic difficulties, we could take no comfort in them from the standpoint of security.
25X1A5a1 [redacted] added that economic potential is less important in a missile war. Nevertheless, when consumer goals are increased, allocations
25X1A5a1 problems become more difficult. [redacted] agreed that in contrast to the past, the USSR is reasonably well off today in food supply and there is a certain "surplus" of GNP, which gives the economy some flexibility.

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[redacted] asked whether decentralization affects the economy's ability to shift gears when priorities are changed. Although we do
25X1A5a1 not have much evidence of the impact, [redacted] thought it inevitable that there would be some effect. This would be mitigated, however, by the retention of all-union ministries for the defense industries.

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[redacted] added that priorities would tend to be shaped from below and
[redacted] 25X1A5a1
become less susceptible to central control. [redacted] thought the system
might become more efficient as a result of the removal of bureaucratic
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controls. [redacted] pointed out that the system of controls is the real
key to how much decentralization there will be. Controls still exist
in the form of yearly supply contracts, fiscal controls through the
state banks, and controls over investments. He foresaw a continuation
of the loosening up process, while basic controls would still remain in
force. Some price leeway will result, but basic centralization will
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remain. [redacted] added that a careful study of this situation should
be made.

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[redacted] though the decentralization of industry ill planned and that
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more bureaucrats would be put over the managers. [redacted] aid there
was a difference between the formal rules and the operating procedures,
and that the latter have not yet been worked out for the new system.

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[redacted] said that in giving our estimate of economic priorities
there were no problems as long as a simple classification of defense,
heavy industry, and consumer supply was used. More sophisticated and

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detailed classifications, however, cause troubles in the coordination
process. [REDACTED] thought labor shortages may make priorities inter-
dependent, as in the case of food production and defense industries.
[REDACTED]

[REDACTED] added that Khrushchev does not see the difficulties in
priorities: he goes ahead with the new lands, defense, and consumer
goods programs simultaneously. [REDACTED] viewed this approach as
good psychology, like setting a "sales quota" in business. [REDACTED]
[REDACTED] pointed out, however, that perhaps it merely puts off the day of
judgement and the plan is moved ahead when it is not fulfilled on
schedule.

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[REDACTED] concluded by pointing out two omissions in the draft:
(1) the debt repudiation and elimination of the forced investment
program should be mentioned; and (2) an impression of the quality
of the GNP, in the sense of military potential, including the relative
importance of the statistics quoted, would be useful. [REDACTED]
[REDACTED] repeated his earlier pleas for graphs.

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Morning session, 10 October.

Subjects: A. NIE 30-2-57: NEAR EAST DEVELOPMENTS AFFECTING US INTERESTS, 8 October 1957.
B. 3 October draft of NIE 13-2-57: COMMUNIST CHINA'S ROLE IN ASIA AND AFRICA

Summary:

The discussion of the Middle East turned on problems of producing more useful estimates, in the light of recent developments in the area. A strong plea was voiced for laying out the consequences of various possible courses of action, even though specific questions were not asked by the policy-makers. A paper such as NIE 30-2-57 should, it was felt, deal more specifically with such problems as the internal situation in Syria and with the motivations and group alignments of key government personnel in non-Soviet states.

A number of specific suggestions were made for improving the draft of NIE 13-2-57. The degree to which various factors might be affected by US policy, the role of other major states besides the Bloc and the US in affecting Asian-African developments, and a limitation of treatment to certain key propositions were noted as being worth more treatment. As in the discussion

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of the USSR, the Consultants agreed that Communist China was apt to adopt a more forward policy over the next five years. It might feel less compelled to resort to force to achieve its ends, although this possibility could not be ruled out in limited, local situations.

Highlights of discussion:

A. The Consultants considered briefly some of the problems of producing estimates, as illustrated by developments in Syria and the recently completed Near East estimate. [REDACTED] opened the discussion by quoting an expert who believed the Syrian regime was not as Communist as the US Government had proclaimed and added that the basic issue concerns our objective. In the case of Syria, we can decide either to try to line the government up on our side or to neutralize the country. He believed the estimates should show that there are alternative possibilities and sketch out consequences of alternative courses of action. Intelligence, in his view, might well solicit questions from the policymakers. [REDACTED] agreed with [REDACTED] that there should be more inter-action between US policy formulation and intelligence.

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[redacted] aw three alternatives in the case of Syria: (1) continue present US policy; (2) use pressure on Syria; (3) go along with the Syrian regime. [redacted] felt that NIE 30-2-57 gives the impression the US does not have much choice in adopting a policy toward Syria. He and [redacted] thought the economic section failed to show the consequences of foreign aid programs, as in the Egyptian section, or of an arms embargo.

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[redacted] wondered if one could say much more than that we are trying to help friendly elements in, say, Iraq and Lebanon. [redacted] thought that the motivations of leadership elements and career government people should be studied in areas other than the USSR. But [redacted] felt that, as shown in the case of Lebanese President Chamoun and Foreign Minister Malik, what these leaders do often depends on what we offer.

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[redacted] thought that in the case of Syria the internal situation should have been studied in more detail in NIE 30-2-57.

[redacted] added that the estimates were often not specific enough.

[redacted] noted that some of the more specific questions had been or were being treated in a special estimate on Syria and in the

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new Egyptian country estimate. KENT pointed out that outside chances were considered in at least two places in the Near East paper.

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B. [REDACTED] opened the discussion on Communist China by stating that the policy maker wants to know what aspects of the situation are malleable and what aspects are unchangeable, and how to treat them. He thought more attention was needed on (1) the role of the overseas Chinese; (2) control of domestic Communists by South East Asian countries; (3) the problem of frustrated intellectuals in these areas; (4) the possibility of a three way contest involving Communist China, the West, and Japan, and India's efforts to play a role in the area.

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[REDACTED] felt we had to make up our minds as to what elements we can build on in the area; there is a need to stimulate the minds of the policymakers.

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[REDACTED] thought the paper lacked an appraisal of the effect in Asia generally of Chinese Communist economic development, both in itself and as compared with Indian efforts. Evidence might exist in the newspapers and other sources of public attitudes in Southeast Asia. The effect of greater or less

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US pressures was left out in considering Communist China's economic development and its effect. He did not think this aspect of US policy could be omitted.

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[redacted] found the paper too general. He felt more [redacted] 25X1A9a specific examples were needed. [redacted] summarized the Consultants' views as being that the paper was lacking in a clear account of the impact of Chinese achievements and failures--the total image created by Communist China.

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[redacted] felt the opportunities for the Chinese Communists to use force will be greater in the next five years than in the past three. They may hide behind the Soviet nuclear capability and employ forceful tactics in local situations, 25X1A5a1 as on the Burma border. [redacted] added that a key point--the potential Sino-Soviet clash of interests --is omitted.

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[redacted] thought the Soviets might encourage the Chinese Communists to do something which would bring US retaliation, 25X1A5a1 and then brand the US as the aggressor. [redacted] then recognized that all the issues raised could not be treated in one NIE; it was necessary to define the important questions to be 25X1A5a1 analyzed. [redacted] thought we should consider (1) how far the

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Chinese Communists can get by open propaganda and (2) by subversion and limited military action. Perhaps Communist China needs the quick take-over technique less than the USSR.

The discussion turned to the nature of Communist China's ultimate objectives in Asia (Para. 1). While there were some differences between the status of the European Satellites and that of North Vietnam, for example, [redacted] wondered what difference it made in terms of US interest what kind of a satellite you had. [redacted] pointed out that in the case of an indirectly controlled satellite the thing one is fighting against is less clear cut. [redacted] felt the real point turned on what the Chinese Communist are doing to exploit the situation and what the US can do about it. A really critical look at the situation was needed, one which would not reinforce the rigidities of US policy.

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Afternoon session, 10 October

- Subjects: A. MEMORANDUM FOR THE CONSULTANTS, "Estimative Questions on the Outlook for Germany," 2 October.
- B. NIE 11-4-57, Part III--Trends in the Soviet Economy. (See Afternoon session, 9 October)

Summary:

The discussion was concerned with future political trends in Germany and with the country's foreign policy orientation, particularly after Adenauer's passing. It was generally agreed that German labor was now more interested in material well-being than in ideology or in politics. Nevertheless, the possibility of labor assuming an active political role could not be excluded. While economic conditions appear to be sound within Germany, a depression elsewhere would hurt the country's trading position and would almost certainly have political repercussions, including increased interest in reunification. The main foreign issues turn on Germany's attitude toward reunification versus European integration. Unless elements favoring a deal with the USSR on reunification achieved power, it seemed more probable that the Germans would seek an outlet for their energies in European integration. If this were blocked, the consequences would be serious. Turning to the domestic scene again, the Consultants appeared to agree with the ONE view that the chances

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of the CDU holding together for at least two or three years after Adenauer appeared better than ever.

Highlights of discussion:

The discussion opened with a CIA statement that we were concerned with several key questions: the long-term effects on German politics of unification; whether there is a tendency toward a one or two party system in Germany; and, whether Germany is being "Swissified." [redacted] thought a paper dealing with more fundamental problems was needed. It should study the forces or groups which will come up when Adenauer disappears. The estimate should also concern itself with how far the governmental foreign policy is shared and accepted as a national policy.

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[redacted] asked how long labor would put up with low wages and the absence of other benefits. He thought Germany might get a labor party other than the SPD after Adenauer. A labor union type of political campaign might have wide appeal. No other issue was in sight; foreign policy had turned out to be a dud.

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[redacted] pointed out that German labor had abandoned Marxism and even revisionism. [redacted] added that this was done in order

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to try to capture middle class votes.

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[redacted] recalled that six or seven years ago the unions identified themselves more closely with the Social Democrats. Since then ideology has been played down and there is more [redacted]
25X1A5a1 interest in wages and hours. [redacted] agreed that this was true. The laboring man now wants a car, or at least a motorcycle, but he wondered what would happen if things went wrong.

25X1A9a

[redacted] asked if, instead of a drive for labor's rights and a larger share of the economy, reunification might become the [redacted]
25X1A5a1 key issue after Adenauer. [redacted] thought there was now less pull for reunification than formerly. Vested interests had been built up on both sides and most of those who wanted to leave East Germany have been able to do so. The issue is dormant, but a demagogue might revive it.

25X1A5a1

[redacted] thought it could re-arise if economic conditions deteriorate. [redacted] saw as a tougher problem a free world set-back which the Germans could not handle psychologically [redacted]
25X1A5a1 or practically and which would result in frustrations. [redacted]

[redacted] saw no reason to assume an economic set-back in Germany. World reactions, such as a depression in the

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in the US or Western Europe, would affect Germany, which is a trading nation like the UK and Japan.

25X1A5a1

Turning to the recent elections, [redacted] thought prosperity re-elected Adenauer. Furthermore, the opposition's lack of ideas on reunification, its criticism of NATO, and other phoney issues were magnified by the ineptitude of the SPD. He drew a gloomy picture of the moral and political outlook. Corruption had increased and [redacted] had a feeling that Adenauer had lived for himself and the regime. [redacted] wondered if the lack of issues made the political situation serious. [redacted] saw parallels to the US situation in this respect. [redacted] replied that he foresaw a split in the SPD; there was not much future in the other parties.

25X1A5a1

[redacted] believed any post-Adenauer government will have to consider the reunification issue. The question will be whether they look toward NATO for support or go it alone in seeking reunification. [redacted] saw the problems of reunification and relations with the USSR versus European integration as the main issues. [redacted] said the Germans were split on the issue of NATO as the answer to this problem. The SPD and the minor

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parties do not want NATO, which they think is blocking reunification, but favor a deal with the Soviets.

25X1A9a

[REDACTED] asked whether the Germans, on security grounds,
25X1A5a1
could give up NATO. [REDACTED] said the Germans may ask what
25X1A5a1
NATO can do for them. [REDACTED] thought the outcome depends
25X1A5a1
on NATO's strategy in a missile age. [REDACTED] asked whether--
once German strength is built up-they would be in a position
25X1A5a1
to bargain or engage in "brinksmanship." [REDACTED] thought the
security problem, as raised in the [REDACTED] on 25X1X7
defense, may weaken or disrupt NATO.

25X1A9a

[REDACTED] stated the consensus as being that foreign policy
after Adenauer may be pretty passive at least as long as
25X1A5a1
economic conditions remain good. [REDACTED] thought the problem
encompassed (1) Germany's attitude toward European integration
and (2) whether, since the Soviets have slammed the door on
reunification, the Germans have any other options.

25X1A5a1

25X1A9a

[REDACTED] was concerned over [REDACTED] summary. Germany is
potentially the third strongest country in the world. Have
they lost all ambition? He thought they might take the lead in pushing
25X1A5a1
European integration. [REDACTED] could not see them staying bottled

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up in West Germany; European integration could be an out for their energies and ambitions. If this were blocked by French
25X1A5a1
ineptitude, he did not know what would happen. [redacted] thought that if Strauss succeeds politically things will be more
25X1A5a1
lively. [redacted] agreed that nationalistically-minded people like Strauss could scare the German integrationists. However, it would be more dangerous if the German nationalists scared others, especially the French, into blocking integration.

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